

(iii) Determine the reasonableness of any non-covered cost proposed, such as nonrecurring costs.

(iv) Compare prices generated by the FPA to prior prices, government estimates, PR estimates, to ensure reasonableness. The existence of an FPA does not relieve the contracting officer from the responsibility of assuring that a price is fair and reasonable;

(10) Conduct detailed cost analysis on random samples of proposed items and/or those items that have unit prices which are significantly higher than previous buys;

(11) Ensure that individual contract actions priced using the FPA comply with the terms of the FPA; and

(12) Comply with 5315.905-1(b)(7)(C) when pricing an undefinitized contractual action using an FPA.

#### **5315.890-4 FPAs negotiated by other DOD agencies.**

FPAs negotiated by other agencies shall not be used by any Air Force activity unless they comply with the requirements in 5315.890-2.

### **PART 5316—TYPES OF CONTRACTS**

AUTHORITY: 5 U.S.C. 301 and FAR 1.301.

#### **Subpart 5316.2—Fixed-Price Contracts**

##### **5316.203-4 Contract clauses.**

(d) *Adjustments based on cost indexes of labor or material.* (3)(iii)(A) When using the abnormal escalation index method, on contracts in excess of \$50,000,000, the clause shall provide that contract adjustments will include the compounding effect of actual indices for future periods. Since predicted economic trends have a compounding effect on the scheduled price, when calculating each economic price adjust-

ment (EPA) for costs within a completed period, a further provisional adjustment shall be made to all future period costs. This provisional adjustment shall be calculated using the same percentage decrease (or increase) as was made in the adjustment for the completed period. Provisional adjustments for each period must be liquidated against the final adjustment for each period. For example, the following formula could be used in computing adjustments:

Adjustment= $((x-y)/y) [z]-s$

where

x=actual index

y=projected index

z=sum of dollars subject to adjustment for all periods in which a final adjustment has not been made

s=sum of unliquidated provisional adjustments

(B) For those EPA clauses which include a dead band in which no adjustment is made, the upper end of the dead band becomes the projected index value during the times of increasing inflation, and the lower end of the dead band becomes the projected index value during times of decreasing inflation. For those EPA clauses which provide for price adjustments only if the difference between the projected index value exceeds a predetermined threshold (trigger bands), no adjustment will be made for the future periods unless the actual index value exceeds the predetermined threshold. However, when the actual index exceeds the projected index by the predetermined threshold, then an adjustment must be made to future periods.

(C) The above requirement is optional on multinational contracts where the impact of multiple country index recalculations are extremely complex.

[52 FR 6332, Mar. 3, 1987]